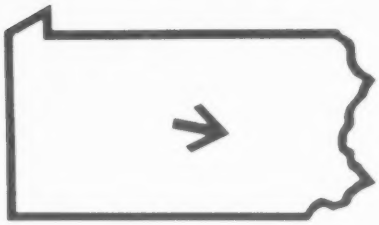

Outlook: Some Improvement in '82

By Rodney A. Erickson*

Pennsylvania's economy continued in the doldrums during November, with indications of further slippage from the previous month. While the Commonwealth has been faring better than some other Manufacturing Belt states during the current national slump, the number of Pennsylvanians holding jobs declined and unemployment inched upward.

The slippage in the level of total employment was 14,000 jobs below the October level. There were still very nearly 5 million employed residents; but several months of stagnation or decline left total employment at 112,000 below the all-time peak hit in August of '81.

The number of unemployed increased by only 6,000 compared to much larger increases in recent months. The size of the labor force also contracted somewhat, undoubtedly reflecting the discouragement of many unemployed who have temporarily dropped out of the labor force and are no longer actively seeking jobs. Despite these rather small changes, November is normally a month in which employment can be expected to rise and, as a result, the seasonally adjusted unemployment rate hit 9 percent for the first time since last June.

Similarly, the number of wage and salaried jobs in Pennsylvania's nonagricultural industries continued to hover at about 4.7 million jobs, down only 10,000 from the October level. Nonmanufacturing jobs increased by 24,000, which is more than the expected seasonal addition. The increase does not, however, suggest growth. Rather, it reflects mostly an increase in the state and local government sector caused by the return to work of Philadelphia's striking teachers, after October statistics were gathered. This put a good many "new" workers on the scene in November when typically fewer are expected.

In other nonmanufacturing sectors, retail trade added 8,000 jobs, less than would be expected during a holiday season month, in keeping with the many gloomy reports of retail sales expectations. Construction dropped slightly, although not as much as would be expected for November. Other nonmanufacturing sectors showed little change over the previous month.

The overall increases in the nonmanufacturing sector were not large enough to offset the continued decline in the state's manufacturing sector, where jobs fell to a level of 1,267,000—the lowest number of manufacturing workers in decades. The continued manufacturing slump is reflected in the November declines in industrial electric power used. Steel production also fell to 1.45 million tons, almost its low at the trough of the 1980 recession.

The Pennsylvania economy clearly reflects the current national slump. Revised third-quarter GNP estimates showed a small 1.4 percent inflation-adjusted increase. But most other indicators have signalled recession since the second quarter.

Nationally, average weekly hours for production workers have fallen, and initial claims for unemployment compensation are up sharply. The capacity utilization rate for manufacturing has fallen further from a very weak 79.9 percent during the first quarter of 1981; the fourth quarter will probably show only a 75 or 76 percent utilization rate. New orders for goods are stagnant, and inventory additions accounted for the positive third quarter GNP growth. New business formations are off, and reports of high business failure rates abound—although the percentage of business accounts receivable more than 90 days past due has not increased, suggesting a less gloomy picture than is currently

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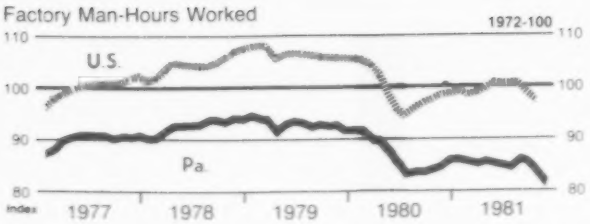
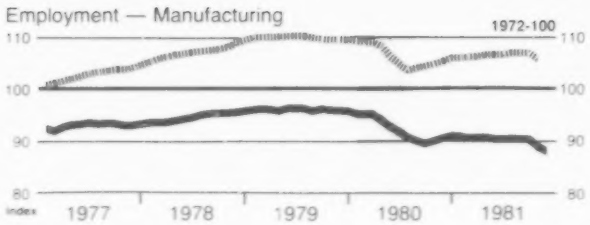
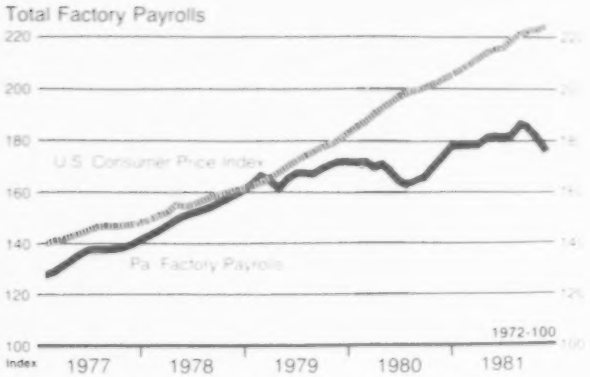
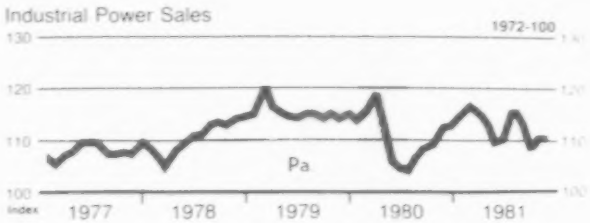
College of Business Administration The Pennsylvania State University **January 1982**









painted. Business capital investment has been increasing only very slowly, and residential construction remains severely depressed. New home purchases were up slightly in November, a small blip in the troubled housing industry.

Economic Activity in Pennsylvania	1981 Oct.	1981 **Nov.**	1980 Nov.	*Seasonally Adjusted Indexes (1972 = 100.)* 1980 Nov.	1981 Oct.	1981 **Nov.**
Pennsylvania Industries:						
Nonagricultural industries, total no. of wage & salaried jobs in (thous.)	4,703*	**4,693**	4,781	107.5	105.5	**105.6**
Nonmanufacturing: No. of wage & salaried jobs in (thous.)	3,396	**3,420**	3,463	116.1	114.0	**114.7**
Manufacturing:						
No. of wage & salaried jobs in (thous.)	1,284*	**1,267**	1,310	90.6	88.6*	**87.6**
Hrs. worked by prod. workers in, ave. wkly.	39.1*	**39.3**	39.4	97.7	98.1*	**97.5**
Total factory man-hours worked (mil. wkly.)	35.5*	**35.1**	36.8	85.1	83.0*	**81.1**
Total factory payrolls (mil. $ wkly.)	298.8*	**297.4**	291.7	173.0	180.4*	**176.4**
Steel production (thous. tons)	1,609	**1,448**	2,180	93	64	**62**
Industrial electric power sales (mil. kwh)	3,840	**3,680**	3,726	113	111	**110**
Mining:						
Anthracite (thous. net tons)	562	**676**	525	83	81	**106**
Bituminous coal (thous. net tons)	7,652	**n.a.**	6,722	107	107	**n.a.**
Construction contracts awarded, value ($ mils.)						
Total	456.1	**341.4**	490.4	182	156	**124**
Residential building	136.5	**120.8**	134.3	149	111	**132**
Other building	149.1	**200.2**	216.5	205	136	**186**
Nonbuilding (utilities and public works)	170.6	**20.3**	139.6	195	243	**30**
Employment of Pa. Residents:						
Employed, total number (thous.)	5,005	**4,991**	5,028	108.1	107.8	**107.3**
Unemployed:						
Total number (thous.)	467	**473**	412	161.9	179.1	**185.2**
Rate (percentage of labor force)	8.5	**8.7**	7.6	—	—	—
Rate, seasonally adjusted	8.7	**9.0**	7.9	—	—	—
Civilian labor force, number in (thous.)	5,472	**5,463**	5,440	111.0	111.7	**111.5**
General Business Activity:						
Bank debits, percentage change in dollar volume of:						
From previous month		**– 5.0**				
From same month, previous year		**+ 38.5**				

Notes:
* = Figure revised n.a. = Data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Data on employment have been revised to first quarter 1980 bench marks.

U.S. Indexes
(1967 = 100)

	Consumers' prices, all items Urban index (unadjusted)	Industrial Production Total (seasonally adjusted)
Nov., 1980	256.4	149.2
Dec.	258.4	150.9
Jan. 1981	260.5	151.4
Feb.	263.2	151.8
March	265.1	152.1
April	266.8	151.9
May	269.0	152.7
June	271.3	152.9
July	274.4	153.8
Aug.	276.5	153.3
Sept.	279.3	151.8
Oct.	279.9	149.6
Nov.	280.7	146.5

Sources: Consumer prices, U.S. Dept. of Labor; industrial production, Federal Reserve Board.

PENNSYLVANIA BUSINESS SURVEY

(ISSN 0031-4382)

January 1982 Vol. 23, No. 1

Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: $5.00 a year.

Send Form 3579 on undeliverable copies to the Center for Research, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802.

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The prospects for the aggregate national economic performance in the fourth quarter suggest real declines in GNP of 5 to 6 percent. The November unemployment rate for the United States stood at 8.4 percent, and could approach 9 percent by early 1982. With this kind of national economic performance, it is little wonder that Pennsylvania has had tough going, especially with its greater-than-average dependence on the manufacturing sector.

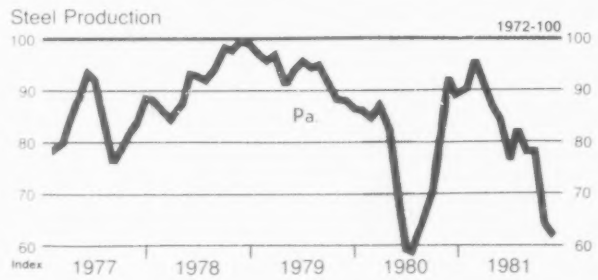
That the state's 9 percent (seasonally adjusted) unemployment rate in November was only six-tenths of a percentage point above the national level has surprised many. One reason why it has not gone higher may be that so much of the less competitive manufacturing was "wrung out" of the state's economy during the 1970s. In addition, the 1980 and 1981 downturns came so close together that manufacturing had no chance to rise much in the interval from that minimum. Nonetheless, some local labor markets with a high dependence on certain kinds of manufacturing are now very hard pressed.

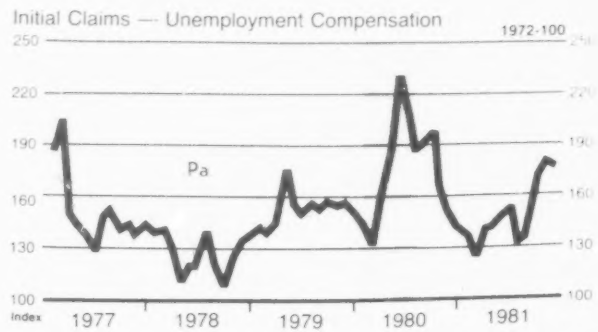
The consensus among forecasters seems to be that the current national slump will have bottomed out at the end of 1981 or, more likely, in the first quarter of 1982. Recently released leading indicators provide some preliminary support for this view. By the second quarter, the economy should exhibit a positive real rate of GNP growth once again.

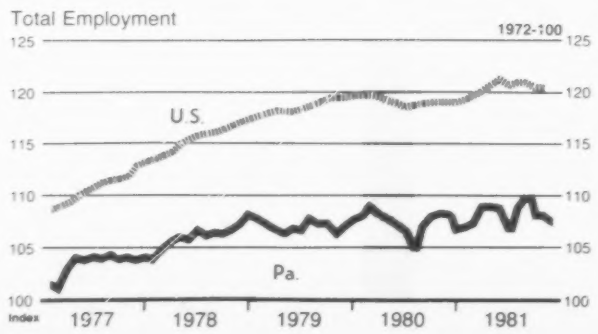
What are some of the reasons for this optimism? Interest rates—which many project to fall through the first half of the year—will contribute to recovery, despite some likely upward movement in the second half of the year. Consumer prices probably will rise in the 7-8 percent range, which should be a welcome relief from the past three years. The current glut of oil on the world market has created some stability in petroleum prices, and some prognosticators even suggest the possibility of declining inflation-adjusted prices of oil over the next couple of years, barring unforeseen disturbances.

Projected increases in business profits, an increase in the savings rate of households, and the business tax breaks enacted last August should signal better prospects for business investment. However, surveys of executives regarding capital spending plans suggest only a slowly increasing rate of business investment, understandable given the present low rates of capacity utilization. Another round of tax cuts for individuals slated for July (barring any recision by Congress) should help to revive the economy further during the second half of the year. This, coupled with lower interest rates, should provide some initial relief for the ailing automobile industry and other durables sectors, paving the way for a better year in 1983.

The construction industry will also see some improvement in 1982. The office boom of 1981 is slowing, but industrial building and both single and multiple family housing are







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projected to increase. Overall, the recovery in construction will be dampened by long-term interest rates that fall only slowly and that may begin to rise again later in the year.

Despite passing the 100-million jobs mark later in the year, the national economy will continue to experience rather high unemployment. Projections indicate that an unemployment rate of about 7.5 percent is the best that can be expected.

Given this scenario, the Pennsylvania economy can be expected to share in the recovery, with some lag time involved. The state economy traditionally lags the nation in the business cycle, taking more time to regain lost ground. Pennsylvania's manufacturing base, which is relatively larger than that of the nation, tends to respond more slowly in recovery as inventories created during the downturn must be cleared before firms rehire or add other new workers. The state's larger proportion of industries with relatively slow-growing demand also serves to slow the recovery in Pennsylvania. We should be prepared for some further deterioration in the state's economy before things begin to improve later in the year.

While improvement in the national economy is regarded as quite certain by most forecasters, the extent and timing of the recovery are subject to some debate. Projections of the growth rate of real GNP in 1982 generally range from 2 to 4 percent.

Based on past relationships between changes in real GNP and changes in Pennsylvania jobs and unemployment, Pennsylvania should experience some improvement over the course of the year. Assuming a rather modest 2 percent growth rate in real GNP, the state could expect to regain about 50,000 jobs.

If the state's labor force holds steady at slightly more than 5.4 million persons, unemployment might come down to about 425,000 jobless. This translates into an average monthly unemployment rate for 1982 of about 7.8 percent—not what we'd like, but an improvement over the 8.3 percent that the state has averaged over the first eleven months of 1981. Substantial month-to-month variation can be expected, depending upon the course and timing of the projected recovery.

Current Downturn Officially A Recession

The National Bureau of Economic Research, whose determinations are accepted by the Federal Government, has ruled that a national recession began in July 1981.

July was the peak of the previous business cycle expansion period, and also marks the onset of a recession.

The expansion period, 12 months long, was the shortest since 1919.

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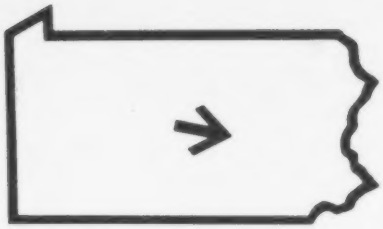

How bad is bad?

Recently it was announced that Pennsylvania's unemployment rate rose, on a seasonally adjusted basis, to 11.2 percent of the labor force in January, and that an estimated 642,000 persons were out of work in this State. That is the largest number of unemployed ever estimated in a single month in Pennsylvania, and 135,000 more than were reported for December. It put the unemployment rate into double digits, on an adjusted basis, for the second consecutive month.

There is no question but that unemployment is undesirably high in Pennsylvania; there seems little question but that sluggish general economic conditions are taking their toll. Ever since August, the number of unemployed has increased each month (427,000 for August; 441,000, 467,000, 473,000 and 507,000 respectively through December) at a time when monthly reductions are the rule. According to seasonal patterns calculated by the Center for Research in Penn State's College of Business Administration, unemployment in August is ordinarily 101.3 percent of an average month's unemployment in any given year; in September, 100 percent; October, 98.4; November, 96.4; and December, 92.5 percent. Because in 1981 unemployment worsened instead of improving, and did so for four successive months, we have to think that general slowdown in national conditions was mainly responsible. In Pennsylvania, it takes that long for business cycle conditions to dominate other influences in monthly unemployment changes; and the National Bureau of Economic Research confirms that a recession started this year in July and has not ended yet.

But are the January statistics to be taken entirely at face value? A review of the manner in which they are gathered and analyzed is helpful in answering that question.

The figures are estimates, based on a household sampling survey. Anything that is sampled rather than counted is subject to what the statisticians call "sampling error." The figures can vary from one period to another solely because of chance in the drawing of the sample. In some types of information, the variations are small; in others, large. The statisticians have ways of testing to see to what extent the variations are likely to be the result of chance. They have found that in Pennsylvania, while employment (which is ten times the size of unemployment) varies within very narrow limits and for which estimates are extremely reliable, unemployment is extremely volatile. Large month-to-month variations can occur just from the drawing of the sample.

Then there is the seasonal pattern of unemployment in Pennsylvania. Typically, unemployment is at its second lowest point of the year in December, and at its highest in January. It characteristically increases 16.1 percent between December and January, whether times are good or bad. That means that of the 135,000 increase that the report says took place, some 81,627 could have been merely the usual seasonal addition, on top of an already relatively large unemployment count late last year. Less than 40 percent (53,373) of the month's increase could reasonably be attributed to other factors.

A "seasonally adjusted unemployment rate" is a hypothetical number. It is not an actual percentage of labor force who are out of work. It says approximately, "This is what the rate *might be* if there were no seasonal pattern to it at this time of year." We have seen that there is indeed a lot of seasonality in the shift between December and January. All that the adjusted rate is saying is: "Look out, folks. Not all the increase in unemployment we had this year in January came from seasonal layoff of holiday workers and seasonal shutdown of outdoor activities. On top of an already pretty large number of unemployed, we have something else helping to push up the rate this year." The adjusted rate doesn't reveal what that something else is; but in this instance we have a pretty good notion that a big part of it is the recession because of the way in which unemployment was behaving during the last four months of 1981.

The seasonal adjustment of unemployment is less accurate than could be wished. The adjustment method used assumes that the size of the increase or decrease is proportional to the level of unemployment. This works well for employment, but not so well with the large seasonal swings and dramatic changes in level over short periods of time that are characteristic of unemployment.

An annual review of the State College area will appear in next month's issue.

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This year an additional factor is present: harsh winter weather. In January (and this will be true also of February), Pennsylvania had its share of extreme cold, which tends to shut down or at least disturb, some activities that would normally have continued during the winter. It is not possible now to distinguish readily between recession effects and the temporary effects of the cold spell. Previous experience shows that weather-related slowdowns can largely (although not entirely) be recovered ultimately.

The present situation is not entirely new. Although the January estimate of unemployment is of record size, the December figure of roughly half a million is not unknown in Pennsylvania's experience. During 1958, when Pennsylvania's labor force had about 830,000 fewer people in it than it does now, this State averaged just under 500,000 unemployed not for one month, or two, or three, but for the whole year. That was a bad enough recession, but it still wasn't depression, which some people are beginning to suggest we may now have.

When you talk depression, you're talking about national unemployment rates that ranged between 20 and 25 percent for four years and stayed in the teens for an additional five years during the Thirties. We have a long way to go before we get into that situation.

The rate and the number of unemployed by themselves don't tell anything about hardship. Is the unemployed person the sole support of a family? Is he a secondary worker? Is he unemployed full-time or part-time? If the latter, by choice or necessity? Has he been out of work long, or only briefly? All that the rate and number do is to count the available labor supply and relate that information to the size of the entire labor force.

Human interest stories about unemployed individuals and their families are being featured in the news media. It is easy to conclude that cases of extreme hardship are numerous and widespread; but many have been drawn from industries (like auto manufacture and building construction) that have been extremely hard-hit by high interest rates or other factors. It is important to distinguish between the heartbreaking situations that have developed because of the condition of some of these particular industries and the overall condition of the economy of nation and state.

The Pennsylvania Economy (1975-1981)

	1975	1976	1977	1978	1979	1980	1981
Pennsylvania Industries							
Nonagricultural, no. of wage & salaried jobs in (mo. ave. in 000's)	4,446	4,521	4,575	4,734	4,816	4,762	4,695
Nonmanufacturing, no. of wage & salaried jobs in (mo. ave. in 000's)	3,101	3,178	3,223	3,352	3,420	3,425	3,390
Service and misc.	799	840	863	904	945	969	986
Retail trade	671	699	717	753	753	744	732
State and local government	587	590	583	595	590	594	579
Federal government	134	132	128	130	131	134	131
Contract construction	185	180	184	200	204	190	181
Wholesale trade	216	221	222	231	239	245	243
Finance, insurance and real estate	207	211	218	227	234	237	240
Transportation	154	155	161	166	171	161	149
Public utilities	103	101	101	101	102	102	103
Mining	46	48	48	47	52	50	47
Manufacturing, no. of wage & salaried jobs in (mo. ave. in 000's)	1,335	1,335	1,342	1,368	1,387	1,328	1,293
Durable goods producers	813	805	810	828	854	814	785
Nondurable goods producers	522	531	532	540	533	514	508
Hours worked by factory production workers, ave. wkly.	38.8	39.2	39.5	40.0	39.9	38.8	39.2
Total factory man-hours worked (000 wkly.)	36,948	38,053	38,387	39,561	39,687	36,887	32,969
Total factory payrolls (000 dollars wkly.)	184,165	204,024	224,684	251,954	277,348	279,940	298,485
Steel production (000 tons)	25,813	26,735	25,740	28,107	28,196	23,502	24,052
Industrial electric power sales (000,000 kwh)	40,869	43,191	44,485	45,566	47,633	45,569	46,090
Mining:							
Anthracite (000 net tons)	6,203	6,228	5,861	5,037	4,835	6,056	5,745
Bituminous coal (000 net tons)	84,137	85,777	84,639	81,477	89,167	87,069	76,061*
Construction contracts awarded, value (million dollars)							
Total	3,009	3,869	3,861	4,795	4,626	5,246	4,769
Residential building	840	1,030	1,689	2,044	2,013	1,616	1,571
Nonresidential building	1,302	1,315	1,302	1,290	1,626	2,035	1,940
Nonbuilding (utilities & public works)	867	1,524	870	1,461	987	1,595	1,258
Employment of Pennsylvania Residents							
Employed, total number (mo. ave. in 000's)	4,647	4,690	4,767	4,891	4,930	4,950	4,972
Unemployed:							
Number (mo. ave. in 000's)	421	404	398	364	366	417	452
Rate (% of labor force)	8.3	7.9	7.7	6.9	6.9	7.8	8.3
Civilian labor force, number (mo. ave. in 000's)	5,069	5,094	5,165	5,255	5,296	5,368	5,424

*12 Month Total (Dec. 80-Nov. 81)

In short, it might be prudent to reserve judgment on what the January unemployment figures for Pennsylvania mean until we get more perspective on them.

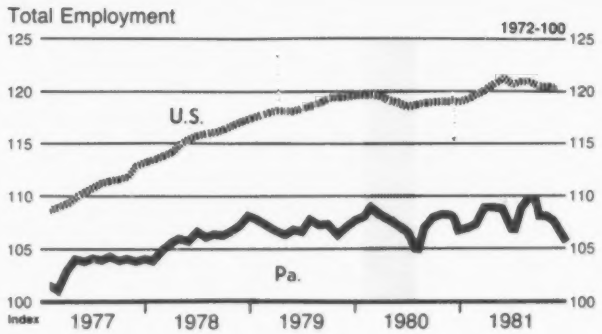
A look at what happened to *employment* in Pennsylvania last year should help to provide that perspective. On average, each month in 1981, more Pennsylvanians held jobs than ever did before, some 4,972,000 of them. This record was achieved in spite of two years of back-to-back recession, and in spite of the fact that this state had its largest labor force ever — 56,000 more than were in it in 1980.

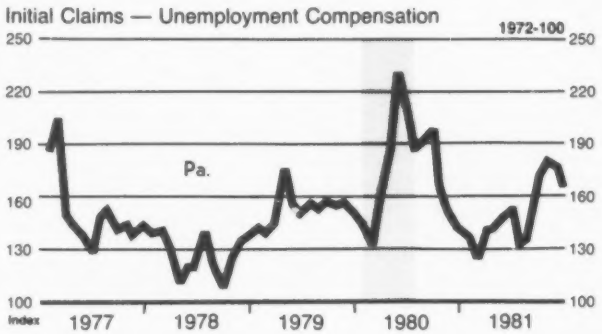
As recently as August, more Pennsylvanians worked than ever had in any single previous month — 5,103,000. In September and October, the number employed hovered between 4.9 and 5.0 million. Although the usual seasonal additions did not occur from month to month last fall, it was only in December that the total fell below 4.9 million. In that month about 105,000 fewer people worked than did in November. Most of the disappointments that came last fall took the form of failure to add jobs rather than from extensive layoffs of people who formerly held jobs.

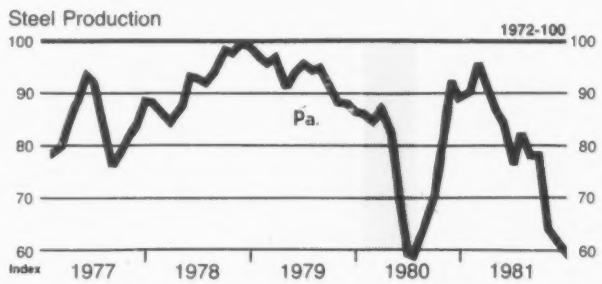
True, the number of layoffs increased a little feverishly in September and October, as measured by new claims filed for unemployment benefits. Nevertheless, their volume remained small in comparison with total employment (new claims ran between 120,000 and 140,000 in months when employment was, respectively, 4,953,000 and 5,005,000). In November and December, the fever cooled. Fewer new claims were filed than one would expect according to usual seasonal practice. Informal reports suggest the January claims level dropped also, if for no other reason than that fewer people hired for the holidays meant fewer people laid off afterwards. A rapidly deteriorating economy should produce continued, rising feverishness in claims for unemployment benefits. So far, that hasn't happened.

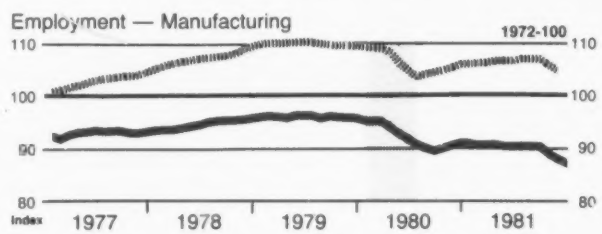
If unemployment figures don't reveal hardship, employment figures don't tell anything about wellbeing of the individual, except that he is not entirely without work. Is he working full-time or part-time? By his choice or by necessity? Is he making good use of his abilities? Is he being paid well or poorly? None of these questions is answered by the mere count of persons holding some sort of jobs. But when a lot of people are at work, that information provides some assurance that the bottom isn't dropping out of the economy; a good level of activity is being maintained, and a considerable amount of support is being supplied to personal incomes.

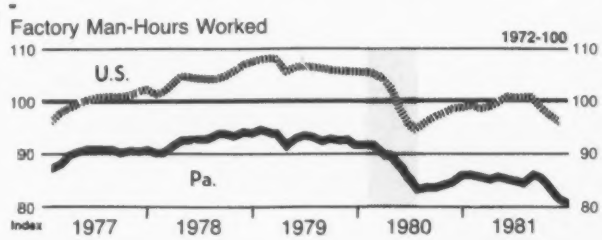
The employment figures don't even reveal where the resident of Pennsylvania works. Some people live in this state and commute to jobs in other states; and the reverse is, of course, true. There is evidence that industries located in Pennsylvania may have been affected by conditions more than industries outside the state to which residents of Pennsylvania commuted. Nonmanufacturing industries reported a monthly average job count that was smaller in 1981 (at 4,695,000) than it had been in any year since 1977. Some of these job losses resulted from factors other than cyclical downturn. Local government, which has been operating in a climate of retrenchment, was a notable loser. So was transportation, which has been suffering not only from slack demand for manufactured goods, but also from the effects of trucking deregulation. Retailers, who held their

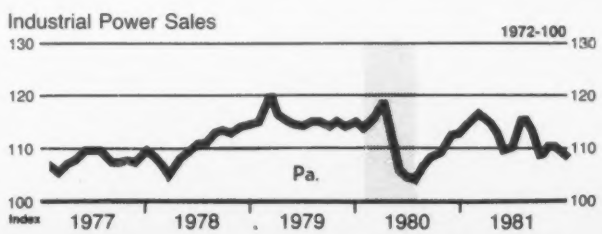












job offerings steady in 1978 and 1979 and cut back during the recession years of 1980 and 1981, presumably controlled their hiring as closely as their inventories. Against these contractions, the service industries continued to expand, rising to a record 986,000 jobs.

For the first time the manufacturing industries of Pennsylvania employed fewer than 1.3 million workers — the 1981 monthly average was 1,293,000. Those who remained at work did, however, average a longer workweek and used more electricity for production, compared with 1980.

Last year was undeniably wretched for the steel industry, both nationally and in Pennsylvania. With two major customers, the auto and construction industries, in bad straits, such demand as there was came mainly from the oil industry; but that too began to slacken before the year ended. Only one year was worse for steel — 1980, when Pennsylvania production slipped just below 24.0 million tons. The worst single month since 1962 came in December 1981, when Pennsylvania produced only 1,430,000 tons.

Something interesting happened in 1980 and 1981, however, to the relationship between Pennsylvania's steel mills and those in the rest of the country. Long thought aging and obsolete, to be used mainly at times of peak national production, Pennsylvania mills actually increased their share of national production, at a time when conditions have never been worse. From 1978, when Pennsylvania production amounted to about 20.6 percent of the whole, through the middle of 1980, the Pennsylvania share rose, culminating in a high of 21.9 percent in September of that year. The share held at over 21 percent from that point on through April 1981. Perhaps the rigorous housecleanings done by some of the major steel companies in the late Seventies are working to Pennsylvania's advantage.

Other Pennsylvania indicators generally had 1981 levels that were lower than they had been in the preceding year or two. Soft coal production was notably under prior years. A long strike in the industry in 1981 — it began on March 27 and ended June 25 — dented production to a point that was not later recovered.

Coming months are not likely to produce good news on economic conditions, even though inflation for all of 1981 is reported at 8.9 percent. We are betwixt and between: The forces that have pulled activity down are still in place, and the forces that are supposed to perk it up haven't been fully felt yet.

Economic Activity in Pennsylvania	1981 Nov.	1981 **Dec.**	1980 Dec.	*Seasonally Adjusted Indexes (1972 = 100.)* 1980 Dec.	1981 Nov.	1981 **Dec.**
Pennsylvania Industries:						
Nonagricultural industries, total no. of wage & salaried jobs in (thous.)	4,689	**4,658**	4,769	107.6	105.5	**105.0**
Nonmanufacturing: No. of wage & salaried jobs in (thous.)	3,417	**3,397**	3,455	116.0	114.6	**114.1**
Manufacturing:						
No. of wage & salaried jobs in (thous.)	1,266	**1,254**	1,310	90.8	87.6	**86.9**
Hrs. worked by prod. workers in, ave. wkly.	39.3	**39.0**	39.7	99.0	97.5	**97.2**
Total factory man-hours worked (mil. wkly.)	35.0*	**34.3**	37.0	86.7	80.8*	**80.2**
Total factory payrolls (mil. $ wkly.)	296.6*	**292.9**	297.2	177.6	175.9*	**175.1**
Steel production (thous. tons)	1,448	**1,430**	2,138	89	62	**59**
Industrial electric power sales (mil. kwh)	3,680	**3,642**	3,844	113	110	**108**
Mining:						
Anthracite (thous. net tons)	676	**485**	470	78	106	**80**
Bituminous coal (thous. net tons)	6,649	**n.a.**	7,636	117	103	**n.a.**
Construction contracts awarded, value ($ mils.)						
Total	341.4	**387.4**	322.1	142	124	**161**
Residential building	120.8	**100.6**	117.0	168	132	**146**
Other building	200.2	**138.3**	135.7	147	186	**146**
Nonbuilding (utilities and public works)	20.3	**148.5**	69.4	100	30	**201**
Employment of Pa. Residents:						
Employed, total number (thous.)	4,991	**4,886**	4,938	106.5	107.3	**105.5**
Unemployed:						
Total number (thous.)	473	**500**	403	163.5	185.2	**204.0**
Rate (percentage of labor force)	8.7	**9.3**	7.5	—	—	—
Rate, seasonally adjusted	9.0	**10.0**	8.1	—	—	—
Civilian labor force, number in (thous.)	5,463	**5,386**	5,341	109.6	111.5	**110.8**
General Business Activity:						
Bank debits, percentage change in dollar volume of:						
From previous month		**+ 17.0**				
From same month, previous year		**+ 29.2**				

Notes:
* = Figure revised n.a. = Data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Data on employment have been revised to first quarter 1980 bench marks.

Around the State

Southeastern Quarter

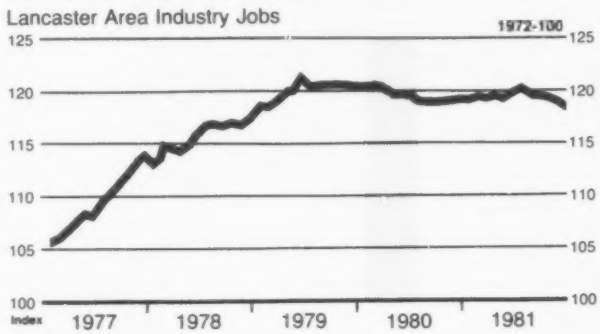
Harrisburg

Two recessions a year apart have had very little effect on the economy of the Harrisburg area. Employment continued to reach new records in both 1980 and 1981. If the unemployment rate edged up out of the five percent range and barely into six percent, it was merely because the area's labor force expanded. Although there were 9,700 more people at work, on average, each month in 1981 than in 1980, there were nearly 11,000 more people in the labor force.

Local factories lost a few hundred more jobs in 1981, after losing 1,100 in 1980. Other evidence of slackness in this sector was a shorter average workweek and less use of electricity for production. However, other industries gained 1,600 jobs over the year to reach a new all-time annual peak. There are about 4¼ jobs in these industries for every local factory job.

Despite the general overall steadiness of activity, the local steel industry was among individual activities that were very hard-hit.

Coming months may see local job levels sag from where they are now (which is virtually at peak); but any deterioration should be minor.



	1977	1978	1979	1980	1981
HARRISBURG					
Employment (in thousands)					
Civilian labor force, no. in	209.0	212.6	217.0	219.5	230.4
Employed, no. of residents	197.0	202.1	206.1	206.9	216.6
Unemployed, no. of residents	11.9	10.5	10.8	12.6	13.8
Unemployment rate, mo. ave. (%)	5.7	5.0	5.0	5.8	6.0
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	40.0	41.9	43.6	42.5	42.2
Other industries, no. jobs in (in thousands)	167.9	172.5	177.5	179.1	180.7
Hrs. worked by production workers in mfg., ave. weekly	39.5	39.7	41.0	40.4	39.9
Industrial electric power sales (index, 1972 = 100)	300	304	326	313	301

HARRISBURG AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	218.5	118	118	112
Unemployed, no. of residents	14.1	273	241	241
Civilian labor force, no. in	232.6	122	122	116
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	223.1	115	116	114
Nonmfg. only, no. jobs in	181.8	118	119	117
Mfg. only, no. jobs in	41.3	103	105	104
Hrs. worked by production workers in mfg., ave. weekly	39.1	98	99	101
Industrial electric power sales	***	301	338	332
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	− 0.7	***	***	***
From same quarter, previous year	+ 30.4	***	***	***

[1]Cumberland, Dauphin and Perry Counties

Lancaster

Lancaster County has had hardly any damage either from the recession we're now in or from the short one we had last year. In spite of sharp growth in its labor force, it had an unemployment rate last year of no more than 5.5 percent, only nominally above 1980's rate of 5.4 percent.

There were an estimated 500 more unemployed in the area, as a gain of 4,800 in employment was not quite enough to take care of all 5,300 more entrants to the labor force. The increase in employment brought it to a record high point — a monthly average of 173,100.

However, in the fourth quarter local industries slacked off their job offerings a little. Factories were no worse than they had been a year earlier; but other industries cut back a little harder.

Use of checking accounts in the area suggests a brisker pace of activity this year than last, toward the end of the year.

Lancaster experienced rapid growth in the mid-Seventies.

	1977	1978	1979	1980	1981
LANCASTER					
Employment (in thousands)					
Civilian labor force, no. in	165.0	170.7	175.7	177.9	183.2
Employed, no. of residents	156.7	162.9	167.7	168.3	173.1
Unemployed, no. of residents	8.3	7.8	8.0	9.6	10.1
Unemployment rate, mo. ave. (%)	5.0	4.6	4.6	5.4	5.5
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	56.7	59.2	60.9	59.4	59.4
Other industries, no. jobs in (in thousands)	84.6	90.1	94.0	94.9	94.5
Hrs. worked by production workers in mfg., ave. weekly	39.7	40.0	40.7	39.9	39.3
Industrial electric power sales (index, 1972 = 100)	113	112	116	113	113

That topped off in the second half of 1979 and there hasn't been comparable expansion since. Nevertheless, this area's economy is doing extremely well.

LANCASTER[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	173.8	118	120	115
Unemployed, no. of residents	11.0	255	200	223
Civilian labor force, no. in	184.8	122	122	118
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	154.7	119	120	119
Nonmfg. only, no. jobs in	95.2	126	127	128
Mfg. only, no. jobs in	59.5	108	109	108
Hrs. worked by production workers in mfg., ave. weekly	38.9	96	97	99
Industrial electric power sales	***	117	119	117
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 0.3	***	***	***
From same quarter, previous year	+ 20.6	***	***	***

[1]Lancaster County

Philadelphia

This metropolitan area held up well during the recessions of 1980 and 1981. In 1980, a new monthly employment record was made of more than two million persons at work. In 1981, that figure dropped back 20,500, but still the number was the second highest, at 1,979,800.

Because some people stopped looking for jobs this year, unemployment fell by 12,100, to average 34,100 a month. They, however, represented a larger share of the area's labor force than they had the year before. So the unemployment rate rose to 7.6 percent — highest in four years — after dropping briefly out the seven percent range in 1980.

Fourth quarter establishment data are not available at this time from the Office of Employment Security because of difficulties with reporting the New Jersey portion of the figures. A review of the first three quarters shows that factory activity was very poor in the second and third quarters and there were signs of more deterioration at the end of the third quarter. Other industries gained jobs, but only in their usual proportions — there was no expansion beyond this point.

A distinction needs to be made between the overall economy of the area and certain sectors of activity or groups of people. Certain factory activities have been badly damaged by recession and inflation-control efforts. Certain groups of workers suffer disproportionately when times go bad, and Philadelphia has a substantial share of some of these groups.

From an overall perspective, the situation currently doesn't look too bad. The area unemployment rate is below that of the state. But the end of the recession is not in sight, this area can be expected to sink further, and the plight of especially hard-hit segments is not likely to be helped much in coming months.

	1977	1978	1979	1980	1981
PHILADELPHIA AREA					
Employment (in thousands)					
Civilian labor force, no. in	2,058.4	2,081.6	2,119.4	2,146.4	2,142.9
Employed, no. of residents	1,880.8	1,930.1	1,971.2	2,000.3	1,979.8
Unemployed, no. of residents	177.7	151.5	148.2	146.2	134.1
Unemployment rate, mo. ave. (%)	8.6	7.3	7.0	6.8	7.6
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	446.4	451.0	454.0	439.6	
Other industries, no. jobs in (in thousands)	1,381.4	1,433.2	1,464.7	1,471.5	
Hrs. worked by production workers in mfg., ave. weekly	39.8	40.0	40.1	39.9	
Industrial electric power sales (index, 1972 = 100)	107	109	110	107	106

PHILADELPHIA AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	1,973.7	104	106	107
Unemployed, no. of residents	173.3	158	140	127
Civilian labor force, no. in	2,147.0	107	108	108
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	.	.		
Nonmfg. only, no. jobs in	.	.		
Mfg. only, no. jobs in	.	.		
Hrs. worked by production workers in mfg., ave. weekly	.	.		
Industrial electric power sales				
Metropolitan area	***	106	105	108
Chester	***	116	119	118
Philadelphia	***	99	98	99
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 6.3	***	***	***
From same quarter, previous year	+ 35.4	***	***	***

[1]Bucks, Chester, Delaware, Montgomery and Philadelphia counties, Pa.; Burlington, Camden and Gloucester counties, N.J.

Reading

Berks County had an excellent year in 1981. A new record monthly average of people working was made — some 148,500 of them. Local industries added more jobs, and the unemployment rate stayed well under that of the State.

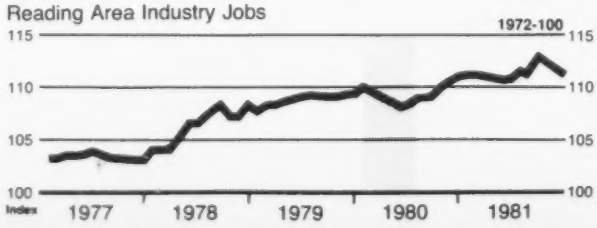
This was one of the few areas in the State in which factories gave a good account of themselves. They added about 800 jobs over the year, for the second highest total on record for this sector. They lengthened their average workweek, and stepped up production a bit (as measured by electricity used at industrial rates).

Other industries added about 1,600 jobs over the year, for a new all-time record.

At 7.9 percent, the unemployment rate was the highest it has been here in several years. That was merely because the local labor force has been growing rapidly. In 1981, about 6,200 more persons were in it than in 1980. This trend has persisted for years.

There was a small dent in the local job level in 1980, but it didn't last quite as long as the seven-month recession itself.

Reading Area Industry Jobs



In 1981, three months after the onset of the current recession, the local job level continued to rise. It sloped down afterwards, however, for the rest of the year.

We're not out of the current recession, and this job loss may continue; but it should not be serious.

READING	1977	1978	1979	1980	1981
Employment (in thousands)					
Civilian labor force, no. in	143.5	145.9	150.4	155.0	161.2
Employed, no. of residents	134.5	137.8	142.1	143.5	148.5
Unemployed, no. of residents	9.0	8.1	8.4	11.6	12.8
Unemployment rate, mo. ave. (%)	6.3	5.5	5.6	7.5	7.9
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	51.0	53.4	54.8	53.7	54.5
Other industries, no. jobs in (in thousands)	80.7	82.2	84.1	85.8	87.4
Hrs. worked by production workers in mfg., ave. weekly	39.1	38.6	38.4	39.4	39.6
Industrial electric power sales (index, 1972 = 100)	106	118	126	120	121

READING[1]

	Ave. mo. value 4 Q. '81	Average monthly index seas. adj. (1972 = 100) 4 Q. '81	3 Q. '81	4 Q. '80
Employment (in thousands)				
Employed, no. of residents	151.2	113	114	110
Unemployed, no. of residents	12.7	319	256	266
Civilian labor force, no. in	163.9	120	119	115
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	144.5	112	112	110
Nonmfg. only, no. jobs in	89.4	121	120	120
Mfg. only, no. jobs in	55.1	100	102	99
Hrs. worked by production workers in mfg., ave. weekly	39.5	98	97	99
Industrial electric power sales	***	121	117	120
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 1.7	***	***	***
From same quarter, previous year	+ 20.9	***	***	***

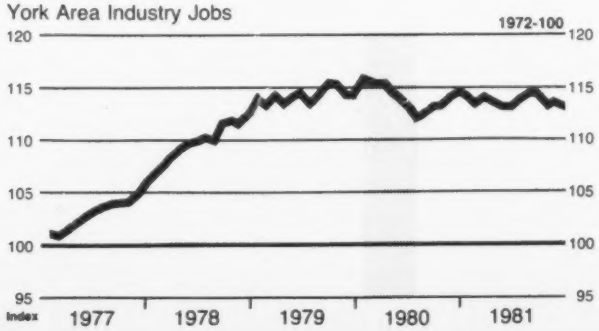
[1]Berks County

York

York and Adams Counties recovered before the end of 1980 virtually all of the job loss suffered during the seven-month recession of last year. During 1981, this job level held fairly steady, fluctuating within rather narrow limits. Local factories dropped 300 jobs over the year; other industries, about 200.

Since some residents of the area work outside of it, this did not prevent a new record from being reached for total

York Area Industry Jobs



PENNSYLVANIA BUSINESS SURVEY

February 1982 Vol. 23, No. 2

Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: $5.00 a year.

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Note

All five-year area tables represent monthly averages for each year.

employment. A monthly average of about 165,500 persons was maintained last year — up 2,800 from the year before.

There were also about 1,800 more people unemployed because of labor force growth. This pushed the unemployment rate for the area up to 7.7 percent — a relatively high point for this area, but a good record compared with most areas of Pennsylvania.

Probably some sag will continue as long as the current recession persists; but it will start from a very good operating level and probably won't be severe. If this time past practice is repeated, activity should turn up promptly as soon as the national recession ends.

YORK	1977	1978	1979	1980	1981
Employment (in thousands)					
Civilian labor force, no. in	157.5	164.3	171.2	174.7	179.3
Employed, no. of residents	147.6	155.7	162.4	162.7	165.5
Unemployed, no. of residents	10.0	8.6	8.9	12.0	13.8
Unemployment rate, mo. ave. (%)	6.3	5.2	5.2	6.9	7.7
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	59.6	64.1	66.1	65.9	65.6
Other industries, no. jobs in (in thousands)	82.4	87.4	91.2	90.8	90.6
Hrs. worked by production workers in mfg., ave. weekly	41.1	41.7	41.5	40.2	40.8
Industrial electric power sales (index, 1972 = 100)	116	126	129	125	122

YORK AREA[1]

	Ave. mo. value 4 Q. '81	Average monthly index seas. adj. (1972 = 100) 4 Q. '81	3 Q. '81	4 Q. '80
Employment (in thousands)				
Employed, no. of residents	166.9	113	116	112
Unemployed, no. of residents	13.9	315	264	260
Civilian labor force, no. in	180.7	120	120	117
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	157.7	113	114	114
Nonmfg. only, no. jobs in	91.1	116	116	116
Mfg. only, no. jobs in	66.5	110	111	111
Hrs. worked by production workers in mfg., ave. weekly	40.9	97	99	97
Industrial electric power sales	***	121	123	123
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 17.1	***	***	***
From same quarter, previous year	+ 48.7	***	***	***

[1]Adams and York counties

Allentown-Bethlehem-Easton

This metropolitan area went into 1981 in pretty good economic shape. There had been a dip in conditions during the brief 1980 recession; but recovery was prompt and visible recession damage had been erased by the end of that year. The first quarter of 1981 also was good. More residents of the area held jobs than is typical of that time of year. Factory activity picked up, and other industries maintained good job levels. The labor force, however, expanded more than seasonally.

Conditions sagged a little in the second quarter, but that did not continue in the third. As for the fourth quarter, conditions did not sag until employment dropped in November and December. Local factories reduced work force and cut down production, but did not shorten the working time of those factory employees who remained on the job.

On balance, 1981 was quite a good year for this area. The hard times being endured by the steel and construction industries have not thrown the area too far off balance. Employment was, on average, higher than ever before. Local industries other than manufacturing maintained the second highest level on record. Only factory activity dipped. The monthly average work force in this sector was the smallest since 1965. This sector never recovered its losses during the 1980 recession. That was enough to stop job expansion in other industries.

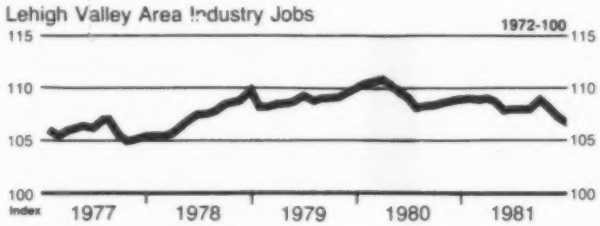
Coming months can scarcely promise much improvement in conditions here; but the good, solid performance of 1981 is reassuring.

	1977	1978	1979	1980	1981
LEHIGH VALLEY AREA					
Employment (in thousands)					
Civilian labor force, no. in	293.1	293.0	297.6	302.7	309.6
Employed, no. of residents	272.4	275.2	278.1	281.6	283.9
Unemployed, no. of residents	20.7	17.8	19.5	21.1	25.7
Unemployment rate, mo. ave. (%)	7.1	6.1	6.5	7.0	8.3
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	107.9	109.7	110.0	107.8	105.4
Other industries, no. jobs in (in thousands)	148.5	150.5	153.8	156.9	156.5
Hrs. worked by production workers in mfg., ave. weekly	38.2	38.2	38.2	38.2	38.6
Industrial electric power sales (index, 1972 = 100)	101	107	112	106	108

LEHIGH VALLEY AREA[1]

	Ave. mo. value 4 Q. '81	Average monthly index seas. adj. (1972 = 100) 4 Q. '81	3 Q. '81	4 Q. '80
Employment (in thousands)				
Employed, no. of residents	283.2	109	111	109
Unemployed, no. of residents	27.2	292	228	227
Civilian labor force, no. in	310.4	116	115	113
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	261.6	107	108	109
Nonmfg. only, no. jobs in	157.7	119	119	120
Mfg. only, no. jobs in	103.5	93	96	96
Hrs. worked by production workers in mfg., ave. weekly	38.8	103	103	103
Industrial electric power sales.				
Metropolitan area	***	106	109	104
Allentown	***	103	102	100
Bethlehem	***	110	118	108
Easton	***	95	96	97
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 3.7	***	***	***
From same quarter, previous year	+ 14.2	***	***	***

[1]Lehigh, Northampton and Carbon counties, Pa.; Warren County, N.J.



Northeast

It is rather important to note that in two successive years of national recession this area's level of economic activity has dropped no lower than it was as recently as early 1978. That was not an extremely high level — but in the past this area typically has been hurt worse by recessions. There is no reliable way to account for the differences in the area's response to national conditions, except to suggest that in 1980 and 1981 recession effects have been more selective than they were in earlier recessions. The industries hardest hit to date nationally simply are not all that heavily represented in this area.

The area went into 1981 in quite a favorable position. The midyear job losses sustained during the 1980 recession had largely been recovered by the end of that year and conditions did not begin to worsen until the second quarter. By the end of the third quarter most of the 1980 recovery had been lost. The fourth quarter was marked mostly by the usual seasonal shifts.

On average, 1981 employment lagged 1980 by about 700 persons and 1979 by 100; but it was better than prior years. Factory jobs dropped by 200, which was enough to reach the lowest point in recent history. Jobs in other industries reverted to their 1978 level. Fortunately, the size of the labor force stabilized, or unemployment would be worse. As it is, it is up about 700 from 1980 and into a double-digit rate for the first time in quite a while. Unemployment is a bit worse in Luzerne County than in Lackawanna. Factories did better in

the latter than the former, but the reverse is true of other industries. Next year a comparison of manufacturing and nonmanufacturing activity county by county will not be possible because the Office of Employment Security will no longer report these figures except for the metropolitan area.

It is quite likely that activity levels will drop below 1978 levels before things get better here. National sluggishness is apt to persist too long for this area to hold up much longer.

NORTHEAST AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q. 80
Employment (in thousands)				
Employed, no. of residents	257.5	104	105	106
Unemployed, no. of residents	30.3	169	145	162
Civilian labor force, no. in	287.9	109	108	110
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	237.5	103	102	104
Nonmfg. only, no. jobs in	167.9	116	114	118
Mfg. only, no. jobs in	69.5	81	82	82
Hrs. worked by production workers in mfg., ave. weekly	37.1	100	98	98
Industrial electric power sales	***	101	101	101
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	− 1.0	***	***	***
From same quarter, previous year	+ 14.5	***	***	***

[1]Lackawanna, Luzerne and Monroe counties

SCRANTON AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	95.0	103	104	104
Unemployed, no. of residents	9.6	189	153	188
Civilian labor force, no. in	104.7	107	106	109
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	85.0	98	98	101
Nonmfg. only, no. jobs in	57.1	107	106	112
Mfg. only, no. jobs in	27.9	84	86	85
Hrs. worked by production workers in mfg., ave. weekly	39.1	101	99	96
Industrial electric power sales	***	97	95	99

[1]Lackawanna County

WILKES-BARRE/HAZLETON AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	138.2	101	102	103
Unemployed, no. of residents	18.3	159	137	145
Civilian labor force, no. in	156.6	106	105	106
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	122.3	101	101	101
Nonmfg. only, no. jobs in	85.6	116	116	117
Mfg. only, no. jobs in	36.8	77	78	78
Hrs. worked by production workers in mfg., ave. weekly	35.7	98	98	99
Industrial electric power sales				
Metropolitan area	***	103	105	106
Hazleton	***	112	113	113
Wilkes-Barre	***	83	93	97

[1]Luzerne County

	1977	1978	1979	1980	1981
NORTHEAST AREA					
Employment (in thousands)					
Civilian labor force, no. in	273.0	278.0	283.2	287.4	287.4
Employed, no. of residents	246.4	254.4	258.5	259.1	258.4
Unemployed, no. of residents	26.6	23.6	24.8	28.3	29.0
Unemployment rate, mo. ave.(%)	9.7	8.5	8.7	9.8	10.1
Local industries					
Manufacturing industries, no. jobs in (in thousands)	70.9	73.3	73.6	70.8	70.6
Other industries, no. jobs in (in thousands)	161.8	168.0	170.3	168.9	168.0
Hrs. worked by production workers in mfg., ave. weekly	36.1	36.9	36.7	36.4	36.5
Industrial electric power sales (index, 1972 = 100)	98	100	101	98	98

Figures are monthly averages for the year.

Sources: Pa. Bureau of Employment Security; Center for Research, College of Bus. Ad., Penn State Univ.

	1977	1978	1979	1980	1981
SCRANTON					
Employment (in thousands)					
Civilian labor force, no. in	100.3	102.2	104.1	105.1	104.9
Employed, no. of residents	90.8	93.9	95.4	95.6	95.4
Unemployed, no. of residents	9.4	8.3	8.8	9.5	9.6
Unemployment rate, mo. ave. (%)	9.4	8.1	8.4	9.0	9.1
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	26.7	28.1	28.3	27.8	28.1
Other industries, no. jobs in (in thousands)	56.8	58.0	58.9	58.8	57.3
Hrs. worked by production workers in mfg., ave. weekly	37.6	38.8	37.3	36.3	37.6
Industrial electric power sales (index, 1972 = 100)	96	102	102	97	96

	1977	1978	1979	1980	1981
WILKES-BARRE					
Employment (in thousands)					
Civilian labor force, no. in	147.8	149.7	152.4	155.3	155.4
Employed, no. of residents	133.0	136.5	138.7	139.1	138.7
Unemployed, no. of residents	14.8	13.1	13.7	16.2	16.6
Unemployment rate, mo. ave. (%)	10.0	8.8	9.0	10.4	10.7
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	39.9	40.7	40.6	38.1	37.7
Other industries, no. jobs in (in thousands)	83.0	85.8	87.1	85.4	85.6
Hrs. worked by production workers in mfg., ave. weekly	35.0	35.6	36.2	36.5	35.7
Industrial electric power sales (index, 1972 = 100)	104	105	105	102	100

Williamsport

Last year was not at all bad for this area, the economy of which had dropped from the fourth quarter of 1978 through the recession of 1980, ending in the third quarter of that year.

There was some job improvement through the fourth quarter of 1980, well into the first half of 1981; but during the summer that improvement was lost. By September, with a new recession under way, the level was slightly worse than it had been at the end of the 1980 recession. Later in the year there was a little improvement.

On average, it turned out that 1981 had about 400 more

employment and 100 more persons unemployed. The unemployment rate, which had averaged 12.0 percent in 1980, edged up to 12.2 percent in 1981. About 400 factory jobs were lost over the year, and 100 jobs in other industries. Nevertheless, factories averaged the longest workweek they had had here in three years.

It is not too probable that the slight upturn seen at the end of 1981 will amount to much. Improved capital spending could benefit this area quite a lot, but that doesn't seem to be in the cards for the very near future.

	1977	1978	1979	1980	1981
WILLIAMSPORT					
Employment (in thousands)					
Civilian labor force, no. in	50.6	52.0	52.5	53.0	53.5
Employed, no. of residents	46.0	47.9	47.5	46.6	47.0
Unemployed, no. of residents	4.6	4.1	5.0	6.4	6.5
Unemployment rate, mo. ave. (%)	9.1	7.9	9.6	12.0	12.2
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	17.8	18.2	18.0	16.2	15.8
Other industries, no. jobs in (in thousands)	28.2	30.4	30.1	30.6	30.5
Hrs. worked by production workers in mfg., ave. weekly	39.0	39.8	39.4	39.4	39.7
Industrial electric power sales (index, 1972 = 100)	111	117	116	110	109

WILLIAMSPORT AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	47.0	104	106	105
Unemployed, no. of residents	6.1	260	280	239
Civilian labor force, no. in	53.1	112	114	112
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	46.3	104	104	106
Nonmfg. only, no. jobs in	30.6	119	120	121
Mfg. only, no. jobs in	15.8	83	82	85
Hrs. worked by production workers in mfg., ave. weekly	40.3	101	101	101
Industrial electric power sales	***	108	105	111
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+15.2	***	***	***
From same quarter, previous year	+36.7	***	***	***

[1]Lycoming County

Northwestern Quarter

Erie

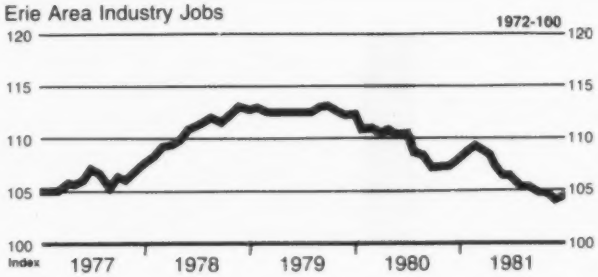
Last year was not an especially good one for Erie County's economy. In the last quarter of 1980, recovery began of jobs lost during the brief recession in that year. As 1981 began, that recovery was still in progress; but it didn't last past the first quarter.

In the second quarter, activity sagged. It leveled off in the third quarter, even though another recession began in July — one that has not yet ended. Fourth quarter losses were slight; but by that time activity levels were down once again to about where they had been four years earlier.

For 1981 as a whole, monthly average unemployment was the least it had been since 1977. The factory job level was the lowest it had been since 1964, after a short gasp of improvement during the first half of the year. After dropping from February through September, the job level for other industries stabilized toward the end of the year at its lowest point since the first quarter of 1978.

This area shares the fortunes of the large industrial concentration in the Great Lakes basin. That area has been hit harder than other parts of the country by the efforts to slow inflation. Only when demand for durable goods improves is Erie likely to pick up — and that doesn't happen to be in the cards for the next few months.

Erie Area Industry Jobs



	1977	1978	1979	1980	1981
ERIE					
Employment (in thousands)					
Civilian labor force, no. in	118.9	122.6	125.3	127.2	124.9
Employed, no. of residents	109.8	114.2	116.3	115.7	112.7
Unemployed, no. of residents	9.1	8.4	9.1	11.5	12.2
Unemployment rate, mo. ave. (%)	7.7	6.9	7.2	9.1	9.8
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	42.8	43.8	44.7	42.2	40.5
Other industries, no. jobs in (in thousands)	67.4	71.5	72.2	71.0	69.7
Hrs. worked by production workers in mfg., ave. weekly	41.2	41.6	41.4	40.8	41.0
Industrial electric power sales (index, 1972 = 100)	113	120	123	115	119

ERIE AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	112.3	106	108	110
Unemployed, no. of residents	11.9	221	224	222
Civilian labor force, no. in	124.1	112	113	115
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	110.0	104	105	107
Nonmfg. only, no. jobs in	69.0	115	115	119
Mfg. only, no. jobs in	40.3	90	91	91
Hrs. worked by production workers in mfg., ave. weekly	41.6	99	98	97
Industrial electric power sales	***	118	122	112
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	− 4.5	***	***	***
From same quarter, previous year	+ 13.8	***	***	***

[1]Erie County

Southwestern Quarter

Altoona

For Blair County, the short 1980 recession never really ended. The job level for this County started to drop in the fourth quarter of 1979, and the drop continued for six months after that recession ended nationally. The local economy lifted briefly, holding a slightly better level, with mostly

ordinary seasonal shifts from month to month, from February through July. Then it fell back with the onset of the 1981 recession in that month. The rest of 1981 saw little further loss; but the local economy flattened out at a point as low as it had reached in January. The level of jobs provided by local industries was the worst it had been in at least five years.

For 1981 as a whole, this meant less employment, more unemployment and less industrial output than Blair County has had in some time. It also meant a double digit unemployment rate, despite the fact that the area's labor force shrank in size. At 57,800, it was about the same size it had been in 1979; but in that year there were 2,100 more County residents holding jobs than there are now (50,900). Obviously, a good many people have concluded, rightly, that their chances of landing a local job are not good. Job conditions now rival those at the end of the 1973-5 recession and monthly average unemployment in 1981 was worse than it had been in any year for a decade. This record was made in spite of the fact that manufacturing contributed quite a bit of strength during the second and third quarters. They steadily gained jobs in the first half of last year and held them during the third quarter. They stepped up output, judged by their use of electricity and their average factory workweek. But they couldn't hold out in the fourth quarter as the Nation once more sank into recession.

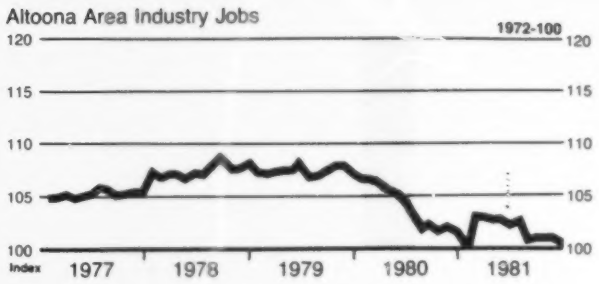
This area is one of those feeling most the national efforts to cool inflation. Coming months do not promise much improvement for such areas because forces pushing their economies down have not abated and those intended to push them up have not proved forceful to date.

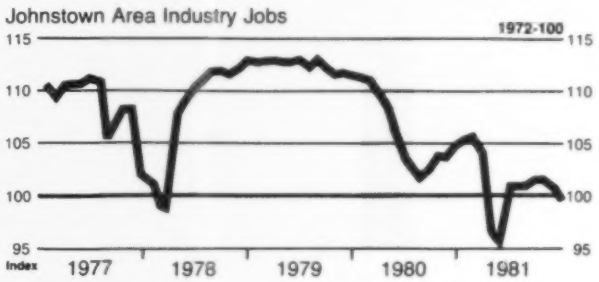
	1977	1978	1979	1980	1981
ALTOONA					
Employment (in thousands)					
Civilian labor force, no. in	55.7	56.6	58.0	60.3	57.8
Employed, no. of residents	51.6	52.2	53.0	54.6	50.9
Unemployed, no. of residents	4.1	4.4	5.1	5.7	6.9
Unemployment rate, mo. ave. (%)	7.4	7.9	8.7	9.5	12.0
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	13.1	12.9	13.1	12.6	12.6
Other industries, no. jobs in (in thousands)	38.1	39.2	39.1	37.9	36.7
Hrs. worked by production workers in mfg., ave. weekly	38.1	38.1	39.3	38.4	38.6
Industrial electric power sales (index, 1972 = 100)	116	119	124	119	112

ALTOONA AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	50.5	102	104	109
Unemployed, no. of residents	7.0	209	204	185
Civilian labor force, no. in	57.6	109	111	114
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	49.0	100	101	102
Nonmfg. only, no. jobs in	36.2	108	108	112
Mfg. only, no. jobs in	12.8	84	86	80
Hrs. worked by production workers in mfg., ave. weekly	38.5	103	102	101
Industrial electric power sales	***	113	115	113
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+13.4	***	***	***
From same quarter, previous year	+27.2	***	***	***

[1]Blair County





Johnstown

Not unexpectedly, 1981 turned out to be a bad year for the economy of the Johnstown metropolitan area. Two recession years in a row have taken their toll more in this area than in many others in Pennsylvania. The area's fortunes more closely resemble the difficulties faced by the Nation's industrial heartland than they do the rest of Pennsylvania. The Midwest was severely hit by slack demand for durable goods, as the Nation struggled to cool inflation.

1981 was even harder on this area than 1980. In the latter year, some 2,300 residents of the two-county area lost their jobs. Last year, an additional 4,600 did so. So in two years this area lost nearly 7 percent of its employment while the State rose to a new all-time high. The area had double-digit unemployment rates in both years, even though in 1981 nearly 4,000 people dropped out of the local labor force. Had they not done so, the unemployment rate would have been very much worse.

The year was marked by a coal strike in the second quarter. After it was settled in June, the level of jobs provided by local industries bounced back only half the distance of the drop. The second half of the year saw mostly ordinary seasonal shifts from month to month.

That may be the signal that the worst is over for this area. If little pickup seems possible soon, at least there's a chance that bleeding has pretty well stopped.

	1977	1978	1979	1980	1981
JOHNSTOWN					
Employment (in thousands)					
Civilian labor force, no. in	107.8	108.1	109.0	110.3	106.4
Employed, no. of residents	97.1	97.4	99.6	97.3	92.7
Unemployed, no. of residents	10.6	10.7	9.4	13.0	13.7
Unemployment rate, mo. ave. (%)	9.9	9.9	8.7	11.8	12.9
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	21.2	20.2	20.3	18.7	17.0
Other industries, no. jobs in (in thousands)	66.5	67.2	70.3	66.6	64.5
Hrs. worked by production workers in mfg., ave. weekly	39.0	40.2	39.3	37.0	37.3
Industrial electric power sales (index, 1972 = 100)	122	126	132	123	126

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JOHNSTOWN[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	91.4	101	104	106
Unemployed, no. of residents	14.3	241	192	228
Civilian labor force, no. in	105.7	110	110	114
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	81.4	100	101	104
Nonmfg. only, no. jobs in	65.1	115	114	117
Mfg. only, no. jobs in	16.2	67	71	74
Hrs. worked by production workers in mfg., ave weekly	36.7	98	101	99
Industrial electric power sales	***	142	119	122
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	− 7.0	***	***	***
From same quarter, previous year	+ 24.2	***	***	***

[1]Cambria and Somerset counties

Pittsburgh

Last year, this metropolitan area gave a pretty good account of itself. This was all the more impressive since the area had suffered some recession damage in 1980, and 1981 marked the onset of a second recession. Besides that, the steel industry suffered a second extremely bad year, after its worst in 1980.

Nevertheless, monthly average employment of area residents increased 17,000 over the year to reach a record high of 959,900. Since the labor force increased in size by more than employment did, unemployment went up too — by 2,300 persons. Still, the increase was small enough to give this area one of the best unemployment rates in Pennsylvania — a monthly average for 1981 of 7.3 percent, only 0.1 percent above 1980 and well under the Pennsylvania 1981 rate of 8.3 percent.

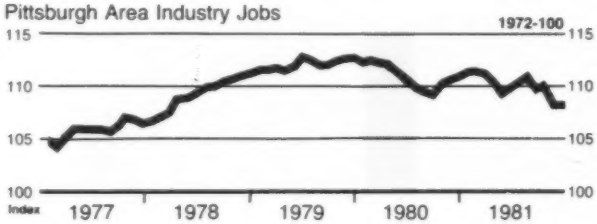
Factories located in the area lost an average of 4,600 jobs over the year, although two of the four quarters (the first and the third) were relatively quiet. The fourth quarter, however, saw the recession really bite hard in this sector. The factory job level hit a record low point; use of electricity for output declined, and the average factory workweek decreased sharply.

Meanwhile, the job level in other industries, which had been close to peak in the first quarter, dropped in the second. A pretty good level was held in the second half of the year.

The area could not hold out indefinitely against national downturn. Total employment declined in the fourth quarter and unemployment increased. Factories lost further ground. Their job count was much below what it had been in the fourth quarter of 1980, right after the previous national recession. But they did a little better in '81 in output and working time. Other industries contracted somewhat over the year, but not nearly so much.

The factors that are pulling down Pittsburgh's economy have not been diminished; but defense spending should for at least a little more this year than last. Once the winter weather is gone, activity may perk up some. This a, however can expect to sag more before a turnaround mes.

Pittsburgh Area Industry Jobs



	1977	1978	1979	1980	1981
PITTSBURGH					
Employment (in thousands)					
Civilian labor force, no. in	966.7	989.0	1,008.1	1,015.9	1,035.2
Employed, no. of residents	903.2	929.7	949.0	942.9	959.9
Unemployed, no. of residents	63.5	59.2	59.1	73.0	75.3
Unemployment rate, mo. ave. (%)	6.6	6.0	5.9	7.2	7.3
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	249.2	251.5	255.1	241.4	236.8
Other industries, no. jobs in (in thousands)	661.5	688.4	709.1	712.4	707.8
Hrs. worked by production workers in mfg., ave. weekly	40.7	40.6	40.8	39.1	40.3
Industrial electric power sales (index, 1972 = 100)	112	109	119	112	117

PITTSBURGH AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	955.6	111	113	110
Unemployed, no. of residents	80.3	158	135	142
Civilian labor force, no. in	1,035.9	113	114	112
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	941.3	109	110	111
Nonmfg. only, no. jobs in	710.3	118	118	119
Mfg. only, no. jobs in	227.9	88	92	93
Hrs. worked by production workers in mfg., ave. weekly	39.7	98	99	97
Industrial electric power sales	***	109	122	113
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 5.7	***	***	***
From same quarter, previous year	+ 28.2	***	***	***

[1]Allegheny, Beaver, Washington and Westmoreland counties

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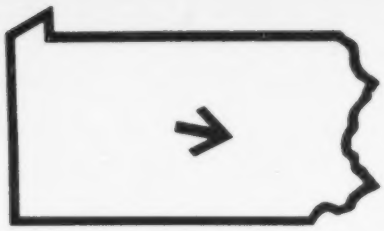


No cheerful earful

Pennsylvania's economy took a turn for the worse in January, after having held up well in many respects during the first six months of the current recession. Spreading economic weakness, coupled perhaps with unusually severe weather, put a sharp dent in Pennsylvania's previously good level of employment.

Some 149,000 fewer persons were employed in January than had been in December. Although a drop in January is typical, as seasonal activities shut down, this year only a little more than half of the loss could be ascribed to the usual seasonal shift. Some 70,000 persons ceased to be employed for other reasons. Some of them dropped out of the labor force — that is, they did not actively seek jobs in January.

Unemployment shot up to an estimated total of 642,000. This is an unusually steep rise for any month or year, and its significance is a bit hard to judge at this point. If, as it appears, it is the converse of the employment drop, one would expect a rash of layoffs. That in turn would be reflected in a more-than-seasonal increase in the number of people filing new claims for unemployment benefits. However, that didn't happen. The number of new claims filed was rather small for the month of January. Whether some people were deterred by bad weather from filing during the week in which statistics are gathered, or whether the January estimate of unemployment was somewhat erratic — it is a very volatile indicator — cannot be determined at this time. Once in a while, the behavior of initial claims leads a turn in Pennsylvania's economic fortunes, but it is more reliable in signaling downturns than upturns.

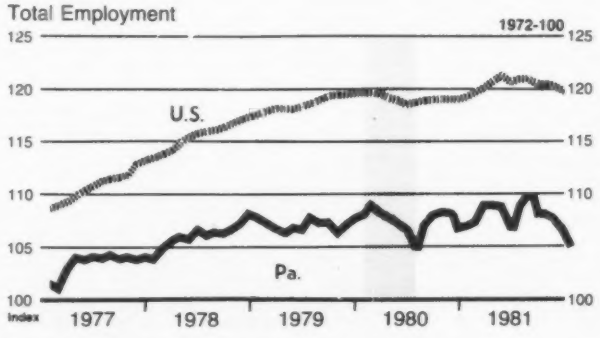
In any case, other indicators of current conditions are showing that Pennsylvania's economy is, indeed, weakening.

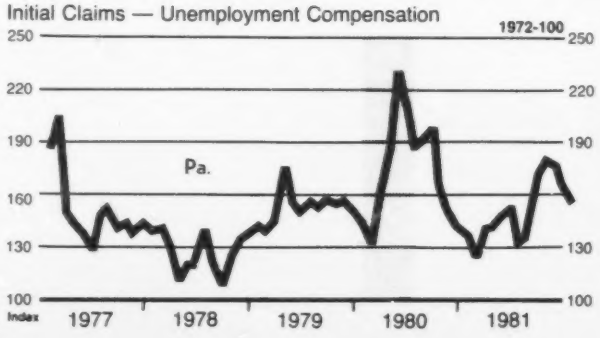
Factory activity sagged. About 20,000 fewer workers were employed in plants located in Pennsylvania in January than had been in December. The average factory workweek shrank nearly an hour. Less electricity was used for factory production.

Pennsylvania steel mills produced 1,480,000 tons. Although that was slightly more than they had made in December, it represented a very poor annual rate — less than 18 million tons. Average daily production, at 47,700 net tons, was a trifle better than the daily rate for December, but otherwise not much can be said for it.

Industries of the State other than manufacturing lost a little, but not much, in shifting from December to January. They dropped 114,000 jobs over the month; but three-quarters of that loss represented ordinary January cutbacks. Fewer than 29,000 lost jobs could be ascribed to other factors. Retail trade and services cut back a trifle more sharply than is their custom at this time of year; but otherwise there were few signs of recession.

Even the hard-hit construction industry seems not to have suffered any more severe damage. The job count in construction did not cut back as much in January as would be customary, although it did drop about 22,600, to total





PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **March 1982**

154,100. The outlook for this industry, as judged by the value of contracts awarded for future construction, is spotty. Awards for residential building were severely curtailed; but awards for other types of buildings and for other types of construction compare favorably with year-earlier figures. Not that that is very encouraging. There is not much on the horizon now in Pennsylvania to suggest that construction is about to experience a revival very soon.

Judging by the use made of checking accounts in commercial banks in January, general business activity slowed down after Christmas. In short, there was virtually no good news to report for Pennsylvania.

That was also true of the Nation. Employment fell, and the leading index of employment is not yet signaling an end to the fall. Neither is the index of leading indicators, which has been dropping since May. Moreover, the ratio of coincident to lagging indicators, considered a reliable signal of turning points, also fell. Factories operated at only 70.4 percent of capacity, the lowest figure since May 1975 and the sixth month of decline this time around. Sales of new cars were very poor. Personal income rose very little, and boded ill for consumer spending in coming months. Corporate profits fell in the fourth quarter of 1981. Companies that rely heavily on foreign trade were particularly hurt, because of the strength of the dollar. It is thought that the debt burdens of a good many companies are becoming troublesome.

Orders for durable goods are down for the fifth month in the past six. However, they have not fallen as far in this recession as they did even in the brief recession of 1980, partly because of strength in defense spending.

Nationally, the weather has probably had a stronger hand in curbing economic activity than it has had in Pennsylvania. To the extent that weather has been an influence, that much activity will likely be recovered later. And there is just a suspicion that the national housing market may be showing a sign of early stirrings of revival: awards for housing construction held steady in spite of the weather. Otherwise there are few signs of cheer.

Which may be why the word "depression" is being heard more frequently. There seems to be no standardized definition of what constitutes a depression as distinguished from a recession. There are some who think that conditions have changed so much from the Great Depression that the term will have to be rethought for our times. One rule of

Economic Activity in Pennsylvania	1981-82 Dec.	1981-82 **Jan.**	1981 Jan.	*Seasonally Adjusted Indexes (1972 = 100.)* 1981 Jan.	1981-82 Dec.	1981-82 **Jan.**
Pennsylvania Industries:						
Nonagricultural industries, total no. of wage & salaried jobs in (thous.)	4,711	**4,576**	4,657	107.8	106.2	**105.9**
Nonmanufacturing: No. of wage & salaried jobs in (thous.)	3,440	**3,326**	3,359	116.6	115.6	**115.4**
Manufacturing: No. of wage & salaried jobs in (thous.)	1,264	**1,244**	1,295	90.5	87.6	**87.0**
Hrs. worked by prod. workers in, ave. wkly.	39.0	**38.1**	39.2	99.4	97.2	**96.6**
Total factory man-hours worked (mil. wkly.)	34.4	**32.9**	35.9	85.2	80.6	**78.1**
Total factory payrolls (mil. $ wkly.)	293.7	**281.6**	291.0	177.4	175.5	**171.8**
Steel production (thous. tons)	1,430	**1,480**	2,221	91	59	**60**
Industrial electric power sales (mil. kwh)	3,642	**3,623**	3,913	115	108	**106**
Mining: Anthracite (thous. net tons)	485	**472**	305	57	80	**93**
Bituminous coal (thous. net tons)	7,570	**n.a.**	6,789	130	118	**n.a.**
Construction contracts awarded, value ($ mils.) Total	387.4	**255.2**	287.9*	163*	161	**143**
Residential building	100.6	**37.4**	72.4*	122*	146	**63**
Other building	138.3	**118.9**	121.8*	164*	146	**161**
Nonbuilding (utilities and public works)	148.5	**98.9**	93.7*	216*	201	**228**
Employment of Pa. Residents:						
Employed, total number (thous.)	4,930	**4,781**	4,926	108.2	106.4	**104.9**
Unemployed: Total number (thous.)	507	**642**	497	174.3	206.8	**225.6**
Rate (percentage of labor force)	9.3	**11.8**	9.2	—	—	—
Rate, seasonally adjusted	10.1	**11.0**	8.5	—	—	—
Civilian labor force, number in (thous.)	5,437	**5,423**	5,422	111.7	111.9	**111.4**
General Business Activity:						
Bank debits, percentage change in dollar volume of:						
From previous month		**– 13.3**				
From same month, previous year		**+ 16.2**				

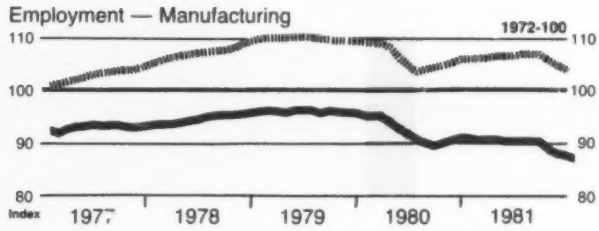
Notes:
* = Figure revised n.a. = Data not available

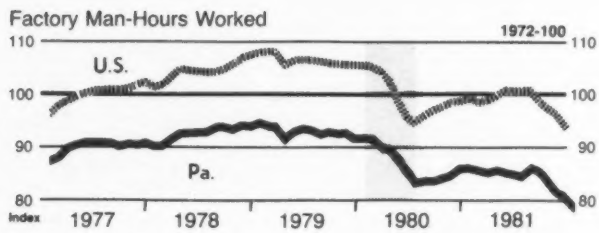
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

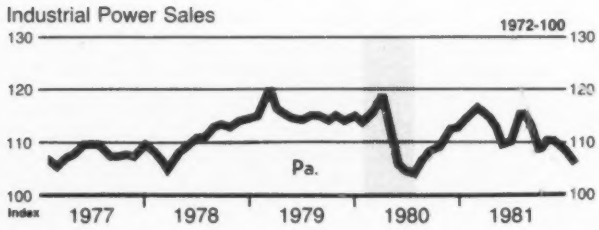
Data on jobs in Pennsylvania industries have been revised to first quarter 1981 benchmarks.

Data on employment of Pennsylvania residents have been revised to Census Bureau 1980 Census of Population counts.

thumb that has been suggested for today is an unemployment rate, seasonally adjusted, of ten percent or higher for twelve successive months. But downturns are defined in terms of depth, duration, and diffusion. As far as can be determined, it is distinctly premature now to characterize what we are going through as depression.







	U.S. Indexes (1967 = 100) Consumers' prices, all items Urban index (unadjusted)	Industrial Production Total (seasonally adjusted)
Jan. 1981	260.5	151.4
Feb.	263.2	151.8
March	265.1	152.1
April	266.8	151.9
May	269.0	152.7
June	271.3	152.9
July	274.4	153.8
Aug.	276.5	153.3
Sept.	279.3	151.8
Oct.	279.9	149.6
Nov.	280.7	146.5
Dec.	281.8	143.4
Jan. 1982	282.5	139.1

Sources: Consumer prices, U.S. Dept. of Labor; industrial production, Federal Reserve Board.

PENNSYLVANIA BUSINESS SURVEY

March 1982 Vol. 23, No. 3

Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: $5.00 a year.

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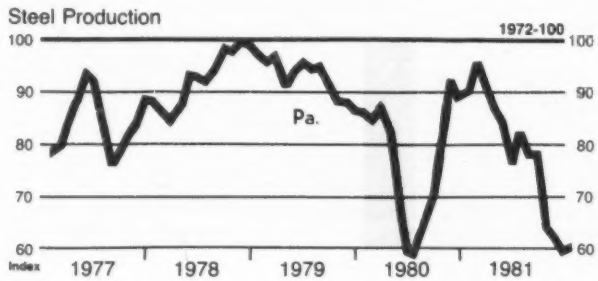

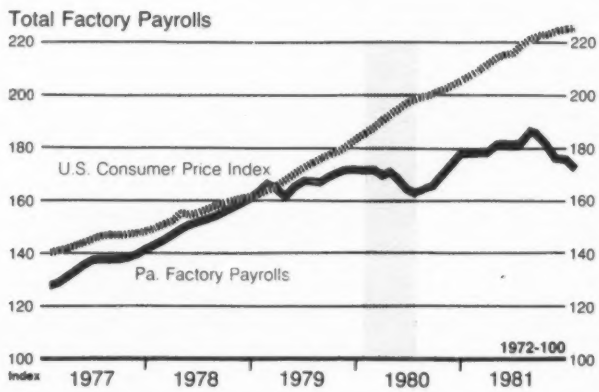

Condition of branch rail lines not hurting coal trade

The condition of branch rail lines in Pennsylvania's coal producing regions is not hurting the sale of coal to utilities, states a Pennsylvania State University report.

"Our conclusion is that a state demonstration program of rail branch line rehabilitation is not appropriate at this time," says Dr. Joseph L. Carroll, professor of business administration and director of the study.

The Coal Transportation Task Force of the State Transportation Advisory Committee had suggested state involvement as a possible low-cost way to foster coal development in Pennsylvania.

The report was prepared for the Department of Transportation at Penn State's Pennsylvania Transportation Institute. It predicts only a modest rise in demand for Pennsylvania coal by utilities through 1990 — even under the most optimistic projections.

The increase in demand could range from a pessimistic projection of 1 percent annually to an optimistic vision of 2.9

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percent per year, the report says. The optimistic view depends on the conversion of some oil-burning utility plants to coal and the addition of new coal-burning units.

At present, electric utilities buy approximately 60 percent of the Pennsylvania coal mined each year. Thus, Dr. Carroll and three graduate students — C. Lanning Meade, Raymond A. Krammes, and Gary L. Gittings — surveyed approximately 120 utility representatives and coal producers for their study.

"Utilities indicate that the quality of rail service has not been a significant factor in coal purchase decisions in recent years," Dr. Carroll says. "Railroads are improving track conditions on important branch lines and coal producers generally are satisfied with these efforts.

"Pennsylvania coal producers identified only one major problem: the limited capacity of east coast ports."

The state already is involved in solving that problem through a $26 million bond issue to modernize the rail capacity at pier 124 at the port of Philadelphia. That move is designed to triple the pier's capacity to 10 million tons of coal annually by 1984 to 1985.

"This study could find no other such investment that could similarly enhance the market for Pennsylvania coal," Dr. Carroll says.

"The notion that rail branch-line rehabilitation and local transportation improvements are a low-cost way to foster coal development and minimize the adverse impact of coal traffic on the highway system does not appear valid given current levels of demand."

Based on their surveys of utility representatives, the researchers report that existing buyers in Pennsylvania, New York, Delaware and Maryland should provide a stable market base for the state's coal.

"Added units in these states will be the major new markets for Pennsylvania coal. Converted units (from oil) in New England could also be a major new market but the magnitude is uncertain because the utilities currently have no firm plans to convert most of these units to coal."

Annual Review of State College Area

Two recessions in two years have not hurt Centre County's economy from an overview, despite some damage to individual types of business. The employment level continued to rise in 1980 and 1981 to a new high in the latter year.

The unemployment rate has held in the six percent range for two years — up from five percent earlier, but one of the lowest rates in the State.

Local industries on the whole seemed to feel few recession effects.

1981 was the year in which Centre County became a major metropolitan statistical area. More detailed figures can ultimately be expected from this development. They will probably continue to show that this area is very recession-proof.

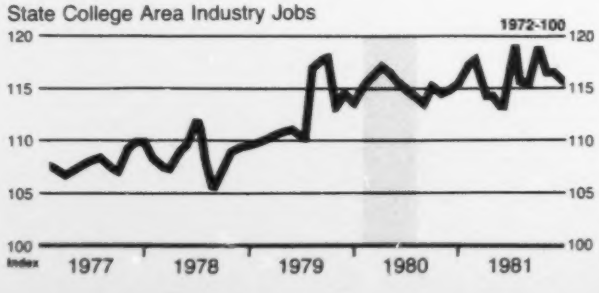
	1977	1978	1979	1980	1981
STATE COLLEGE/BELLEFONTE					
Employment (in thousands)					
Civilian labor force, no. in	41.7	41.9	43.3	45.3	46.6
Employed, no. of residents	39.4	39.7	41.1	42.5	43.5
Unemployed, no. of residents	2.3	2.2	2.2	2.9	3.1
Unemployment rate, mo. ave. (%)	5.4	5.3	5.0	6.3	6.7
Local Industries					
Manufacturing industries, no. jobs in (in thousands)	6.4	6.8	7.2	7.3	7.2
Other industries, no. jobs in (in thousands)	34.3	34.1	35.4	36.2	36.4
Industrial electric power sales (index, 1972 = 100)	115	114	116	111	110

STATE COLLEGE AREA[1]

	Ave. mo. value 4 Q.'81	Average monthly index seas. adj. (1972 = 100) 4 Q.'81	3 Q.'81	4 Q.'80
Employment (in thousands)				
Employed, no. of residents	44.3	119	120	117
Unemployed, no. of residents	3.2	253	226	229
Civilian labor force, no. in	47.5	124	123	121
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	44.7	116	116	115
Nonmfg. only, no. jobs in	37.0	113	114	113
Mfg. only, no. jobs in	7.7	130	127	123
Industrial electric power sales	***	111	119	113

[1]Centre County

State College Area Industry Jobs



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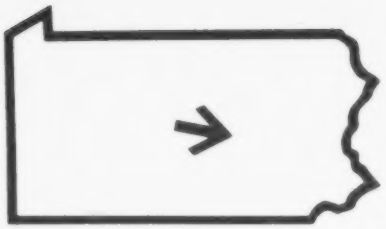


Gains, Yes — Turn Around? Can't Tell Yet

Economic conditions in Pennsylvania improved in several ways in February. Employment gained 69,000, which was a strong gain for that time of year. Unemployment dropped 44,000, which was more than could be expected from its usual seasonal pattern. The unemployment rate was lower both before and after seasonal adjustment.

Some industry groups — not manufacturing — increased jobs more than seasonally for the second month. In February, all told the nonmanufacturing industries supplied about 3,344,000 jobs, or nearly three-quarters of all wage and salaried jobs in Pennsylvania, excluding agricultural jobs.

There was improvement also in the value of construction contracts awarded. Most of it occurred in the nonbuilding types of construction, such as utilities, roads, sewers, and so on. There was slight improvement also in awards for residential buildings, but not for other kinds.

Finally, the use of checking accounts, as measured by debits to demand deposits in commercial banks, increased rather favorably in dollar volume.

Do these improvements mark the start of recovery from the current recession? It's too soon to come to that conclusion. For one thing, it may be that February looks better than January simply because the weather was a little better (although February had some bad cold spells too). For another, we won't know we're in a recovery until it is well under way. Usually several months are needed before a business cycle upturn surfaces strongly enough for us to recognize and be confident about it. Finally, there are other factors in the situation that suggest there is still bad news to come.

Some elements in Pennsylvania's economy continue to deteriorate. Steel production went from bad to worse. In January, 1,480,000 net tons had been produced by Pennsylvania mills; in February, 1,242,000. The seasonally adjusted index of daily production, at 61 (1977 = 100), was 48 percentage points below February 1981. At 44,400 tons, average daily production was the least for any month since the long steel strike of 1959. Also, in February Pennsylvania's share of U.S. steel output dropped to a record low point of 17.3 percent. Until recently Pennsylvania mills had given a good account of themselves compared with other mills, even though steel in general was down.

There have been further losses of manufacturing jobs generally. From July 1979 (six months ahead of the onset of the 1980 recession) to July 1980 (when that recession ended), Pennsylvania lost 94,500 manufacturing jobs. About 22,400 were recovered before the losses began again in September 1981, two months after the onset of the current recession last July. By February 1982, Pennsylvania firms had lost both the recovered jobs and an additional 67,400. About 1,229,000 people worked in factories here in February.

The conditions that are needed to make Pennsylvania's factories perform well are simply not in place now. This state has been known to outperform the Nation when there was special strength in steel, autos, other consumer durable goods, and investment in plant and equipment. Today, there is special weakness in all of these industry sectors. Pennsylvania shares certain characteristics with the industrial midwest. In February, of three midwestern states for which comparable statistics are available, on a seasonally adjusted basis Michigan had 14.8 percent unemployment, Ohio 11.3 percent, and Illinois 9.6 percent to Pennsylvania's 10.3 percent.[1]

Nationally, a good bit of unemployment is now coming from lost jobs, rather than from other sources (such as leaving jobs, newly entering the labor force, or reentering it). So far, in Pennsylvania new claims for unemployment benefits, which count persons recently separated from their jobs involuntarily, have not shown much of this. Here, the number of new claims dropped substantially in February—not enough to quite match the seasonally expected drop, however; and that caused the adjusted index to rise a little. But the rise was not enough to move the index away from its previous level very far—and that level was not nearly so high

[1] As adjusted by the U.S. Bureau of Labor Statistics. Penn State's adjustment program produces slightly different results—in this instance, an adjusted rate of 10.1 percent.

PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **April 1982**

	U.S. Indexes (1967 = 100) Consumers' prices, all items Urban index (unadjusted)	Industrial Production Total (seasonally adjusted)
Feb. 1981	263.2	151.8
March	265.1	152.1
April	266.8	151.9
May	269.0	152.7
June	271.3	152.9
July	274.4	153.8
Aug.	276.5	153.3
Sept.	279.3	151.8
Oct.	279.9	149.6
Nov.	280.7	146.5
Dec.	281.8	143.4
Jan. 1982	282.5	139.1
Feb.	283.4	141.8

Sources: Consumers' prices, U.S. Dept. of Labor; industrial production, Federal Reserve Board.

as it had been in the recession of 1980. It is likely that March and, to a certain extent, April, will see a worsening of conditions in Pennsylvania that may put the claims index higher. The types of industries that have been laying off workers recently have increased in number.

On the whole, the Nation's performance in February showed mixed tendencies: employment steady for the third month; unemployment worse because more people entered the labor force; personal income up modestly; the index of leading indicators down for the tenth month.

The price picture brightened. The consumer price index rose only nominally, and wholesale prices fell for the first time in six years.

Such improvements as did occur in industrial output, housing starts, and new factory orders for durable goods were ascribed more to milder weather in February than in January and, in the case of durable goods orders, to defense spending, than to recovery of private industry. And machine tool orders plunged as most industries that use them cut purchases.

In short, there are some signs that nationally declines were somewhat smaller in February than in January; but not enough has happened to set the stage for much improvement for Pennsylvania. By this time defense spending may count for enough to provide some support, although it is not readily measured.

Economic Activity in Pennsylvania

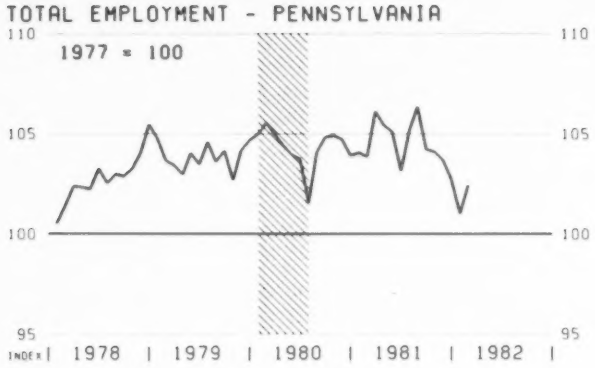
	1982		1981	Seasonally Adjusted Indexes (1977 = 100.) 1981	1982	
	January	February	Feb	Feb	Jan	Feb
Pennsylvania Industries:						
Nonagricultural industries, total no. of wage and salaried jobs in (thous.)	4,583*	4,573	4,667	104.0	101 9*	102.0
Nonmanufacturing: No. of wage & salaried jobs in (thous.)	3,336*	3,344	3,370	107.2	105.8*	106.4
Manufacturing:						
No. of wage and salaried jobs in (thous.)	1,241*	1,229	1,292	97.1	93.2*	92.3
Hrs. worked by prod. workers in, ave. wkly.	38.1	38.8	39.2	99.9	96.8	98.8
Total factory man-hours worked (mil. wkly.)	32.9*	33.0	35.9	94.5	86.5*	87.0
Total factory payrolls (mil. $ wkly.)	281.6*	282.4	290.9	130.9	126.2*	126.9
Steel production (thous. tons)	1,480	1,242	2,201	109	69	61
Industrial electric power sales (mil. kwh)	3,623	3,703	3,894	106	99	101
Mining:						
Anthracite (thous. net tons)	472	508	472	133	111	144
Bituminous coal (thous. net tons)	5,912	n.a.	6,749	111	98	n.a.
Construction contracts awarded, value ($ mils.)						
Total	255.2	238.9	167.4*	102*	102	148
Residential building	37.4	49.9	73.5*	85*	38	58
Other building	118.9	80.4	63.7*	115*	155	145
Nonbuilding (utilities and public works)	98.9	108.6	30.3*	85*	133	306
Employment of Pa. Residents						
Employed, total number in (thous.)	4,781	4,850	4,918	104.3	101.1	102.9
Unemployed:						
Total number in (thous.)	642	598	462	107.0	143.7	139.0
Rate (percentage of labor force)	11.8	11.0	8.6	—	—	—
Rate, seasonally adjusted	10.6	10.1	7.9	—	—	—
Civilian labor force, number in (thous.)	5,423	5,448	5,380	104.5	104.4	105.7
General Business Activity						
Bank debits, percentage change in dollar volume of:						
From previous moth		+12.4				
From same month, previous year		+21.6				

Notes:
* = Figure revised
n.a. = Data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

Data on jobs in Pennsylvania industries have been revised to first quarter 1981 benchmarks.

Data on employment of Pennsylvania residents have been revised to Census Bureau 1980 Census of Population counts.

TOTAL EMPLOYMENT - PENNSYLVANIA



PENNSYLVANIA BUSINESS SURVEY

April 1982 Vol. 23, No. 4

Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: $5.00 a year.

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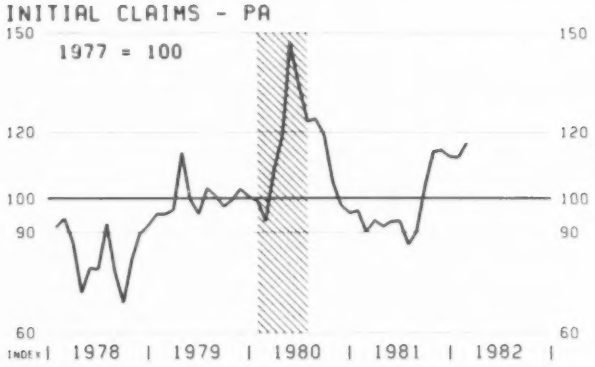
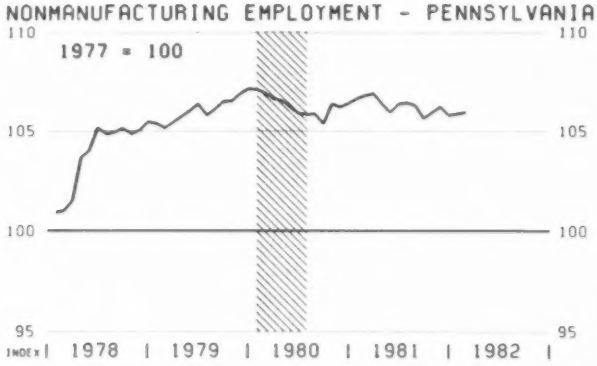
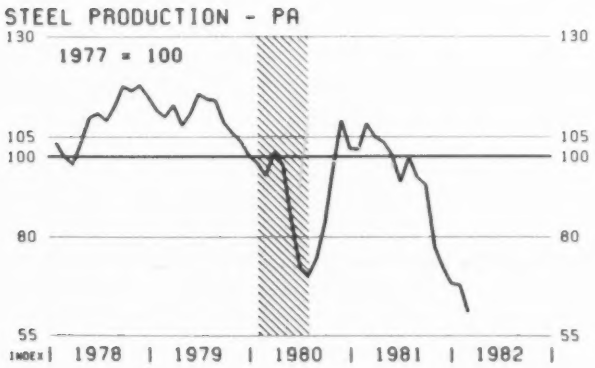
INITIAL CLAIMS - PA



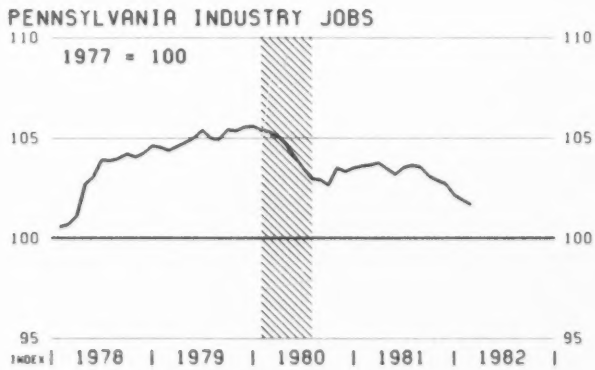
NONMANUFACTURING EMPLOYMENT - PENNSYLVANIA



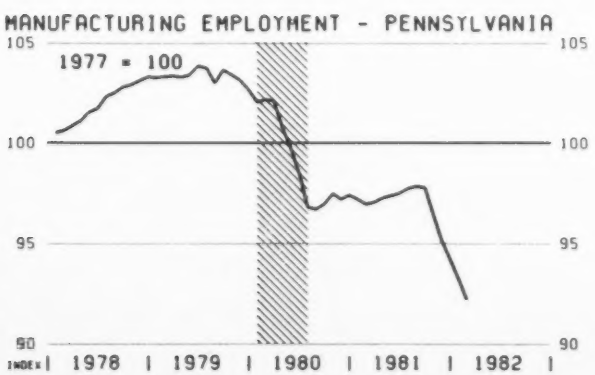
STEEL PRODUCTION - PA



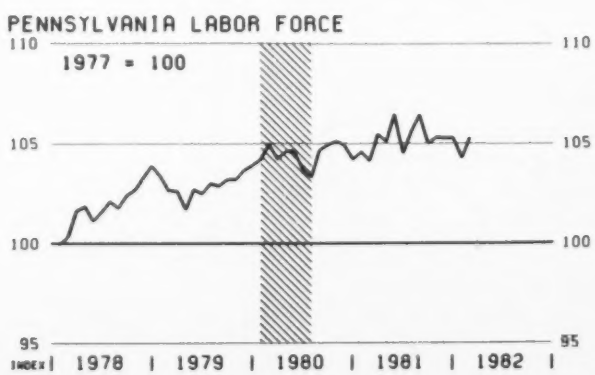
PENNSYLVANIA INDUSTRY JOBS



MANUFACTURING EMPLOYMENT - PENNSYLVANIA



PENNSYLVANIA LABOR FORCE



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Who's Getting Hurt Worst?

Between 1979 and 1981, industries located in Pennsylvania suffered a net loss of about 78,300 jobs.[1] This was the result of a loss of some 87,000 manufacturing jobs, slightly offset by a gain of about 5,000 jobs in other industries. (On average, about 3,600 more persons were on strike in 1981 than in 1979.)

During this period, which included two recessions — in 1980 and 1981 — five industry groups nevertheless increased the number of jobs they offered. They were machinery (other than electrical); printing and publishing; public utilities; wholesale trade; finance, insurance, and real estate; and services. Together they added 78,600 jobs, most of them in services.

In contrast, every other industry group lost jobs. About three-quarters of the total manufacturing loss occurred in durable goods industries, with sizable concentrations of numbers in primary metals, fabricated metals, and transportation equipment. Major losers in other industries were construction, transportation, and retail trade.

Looked at another way, a somewhat different group of industries emerges as being especially hard-hit. When jobs lost are taken as a percentage of jobs held in 1979, some smaller industry groups come into the picture, although a couple of large groups are still there. Transportation cut 16.3 percent of its jobs; government, 15.3 percent; rubber and plastic products, 14.6; lumber and wood products, 14.3 percent; tobacco products, 13.9; and stone, clay and glass, 12.2.

Industry performance is summarized in the following table.

Changes in Jobs, 1979-1981, Pennsylvania
by industry group (numbers in thousands)

Industry group	*Monthly average no. jobs 1979*	*1981*	*Change in no., 1979-1981*
Nonagricultural jobs	4,815.0	4,736.7	−78.3
Manufacturing jobs:	1,386.7	1,299.8	−87.0
Durable goods industries:	853.9	790.7	−63.2
Lumber & wood products	23.0	19.7	− 3.3
Furniture & fixtures	20.2	18.7	− 1.5
Stone, clay & glass	64.7	56.8	− 7.9
Primary metals	204.1	184.0	−20.1
Fabricated metals	118.0	109.0	− 9.0
Machinery, exc. electrical	142.0	142.9	+ 0.9
Machinery, electrical	126.4	117.9	− 8.5
Transportation equipment	87.3	77.9	− 9.4
Instruments & related	42.9	41.1	− 1.8
Miscellaneous	25.3	22.8	− 2.5
Nondurable goods industries:	532.8	509.2	−23.6
Food & kindred products	99.3	95.2	− 4.1
Tobacco products	3.6	3.1	− 0.5
Textile products	47.1	43.2	− 3.9
Apparel	128.6	123.7	− 4.9
Paper & paper products	44.6	41.8	− 2.8
Printing & publishing	72.2	73.5	+ 1.3
Chemicals	61.0	60.0	− 1.0
Petroleum & coal products	17.3	16.8	− 0.5
Rubber & plastic products	41.8	35.7	− 6.1
Leather & leather products	17.3	16.1	− 1.2
Nonmanufacturing jobs:	3,419.3	3,424.3	+ 5.0
Mining	51.7	45.2	− 6.5
Contract construction	204.2	182.5	−21.7
Transportation	170.7	154.4	−16.3
Public utilities	101.7	103.9	+ 2.2
Wholesale trade	239.4	244.6	+ 5.2
Retail trade	753.1	741.5	−11.6
Finance, insurance & real estate	233.7	240.6	+ 6.9
Services	944.1	1,006.2	+62.1
Government jobs:	720.7	705.4	−15.3
Labor-management disputes	9.0	12.6	+ 3.6

Source: Pa. Dept. of Labor and Industry, Office of Employment Security

[1]Figures quoted here differ slightly from those published in our seven-year table, page 2 of the February 1982 issue of *Pennsylvania Business Survey*. The Office of Employment Security has made minor revisions in some instances.

Attention

With this issue, the index base of all index numbers calculated at Penn State and published in this letter has been changed from 1972 to 1977. This is the new base being adopted officially by Federal agencies.

For the time being, the consumers' price index and the index of industrial production, the only U.S. indexes published in the *Pennsylvania Business Survey*, remain on their 1967 base.